

DEPARTMENT OF STATE REVENUE

Revenue Ruling 98-12 ST

September 30, 1998

NOTICE: Under IC 4-22-7-7, this document is required to be published in the Indiana Register and is effective on its date of publication. It shall remain in effect until the date it is superceded or deleted by publication of a new document in the Indiana Register. The publication of this document will provide the general public with information about the Department's official position concerning a specific issue.

ISSUE

Resale Exemption Certificates

Authority: IC 6-2.5-2-1, IC 6-2.5-4-1, IC 6-2.5-4-10

Taxpayer requests the Department to rule on whether resale certificates from another state are accepted for purposes of sales tax exemption.

STATEMENT OF FACTS

Taxpayer collects and remits sales tax in Indiana. Taxpayer has a customer, located outside Indiana, who purchases products for resale that are shipped into Indiana.

DISCUSSION

Information Bulletin #57 states that drop shipments involve the sale of goods by a seller who delivers the goods directly to the purchaser's customer. However, this is generally not a three-party transaction, but two two-party transactions. The first transaction is the sale from the seller to the purchaser. The second transaction is the sale from the purchaser to the purchaser's customer. There is not a transaction between the seller and the purchaser's customer. In the usual drop shipment scenario, the transaction that is subject to tax is the one between the purchaser and the purchaser's customer. Therefore, the liability for payment and collection will generally be determined by applying the general statutes and regulations governing sales and use tax to this transaction.

Pursuant to Information Bulletin #57, the transaction between the seller and the purchaser will normally be exempt as a sale for resale. When the purchaser is an Indiana registered retail merchant, an exemption certificate must be issued to the seller. If the purchaser is not required to be registered with the Department, the seller may accept documentation indicating that the purchaser is not required to be registered and that the purchaser is reselling the property being purchased. Such documentation must include the following:

1) purchaser's name, 2) purchaser's address, 3) purchaser's federal ID number or Social Security number and home state sales tax registration if applicable, 4) description of the articles purchased, 5) Statement indicating that the articles purchased are to be resold and that the purchaser is not required to register as an Indiana retail merchant, 6) authorized signature of the purchaser.

RULING

The Department rules that only Indiana exemption certificates may be issued to a seller in lieu of collecting Indiana sales or use tax. However, in transactions meeting the requirements outlined in Information Bulletin #57, documentation described in Information Bulletin #57 may be accepted in lieu of collecting the tax.

CAVEAT

This ruling is issued to the taxpayer requesting it on the assumption that the taxpayer's facts and circumstances, as stated herein, are correct. If the facts and circumstances given are not correct, or if they change, then the taxpayer requesting this ruling may not rely on it. However, other taxpayers with substantially identical factual situations may rely on this ruling for informational purposes in preparing returns and making tax decisions. If a taxpayer relies on this ruling and the Department discovers, upon examination, that the fact situation of the taxpayer is different in any material respect from the facts and circumstances given in this ruling, then the ruling will not afford the taxpayer any protection. It should be noted that subsequent to the publication of this ruling, a change in a statute, regulation, or case law could void the ruling. If this occurs, the ruling will not afford the taxpayer any protection.

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